

6-30-2002

Trinity College Bulletin, 2001-2002 (Financial Statements)

Trinity College

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Trinity College

Financial Statements

June 30, 2002 and 2001

Trinity College
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June 30, 2002 and 2001

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Report of Independent Accountants

**The Trustees of Trinity College
Hartford, Connecticut**

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Trinity College (the "College") at June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 2, 2002

Trinity College
Statements of Financial Position
June 30, 2002 and 2001

	2002	2001
Assets		
Cash and cash equivalents	\$ 2,478,554	\$ 10,205,674
Receivables, net of allowance for doubtful accounts of \$400,000 and \$450,000, respectively	3,156,956	1,622,108
Receivable for securities sold	483,327	225,997
Government grants receivable	1,181,194	1,142,090
Contributions receivable, net of allowance for doubtful accounts of \$830,250 and \$552,700, respectively	40,255,545	25,465,396
Student loans receivable, net of allowance for doubtful accounts of \$375,000	4,009,313	3,739,289
Investments	335,009,656	347,734,090
Funds held by bond trustee	19,793,286	43,762,353
Funds held in trust by others	14,827,138	16,701,062
Other assets	3,145,879	3,025,331
Fixed assets, net of depreciation	<u>180,543,840</u>	<u>150,804,760</u>
Total assets	\$ 604,884,688	\$ 604,428,150
Liabilities		
Accrued litigation assessment (Note 16)	\$ -	\$ 3,350,000
Accounts payable and other liabilities	14,874,938	14,460,748
Payable for securities purchased	380,645	249,074
Deferred revenue and deposits	161,912	949,487
Federal student loan funds	3,280,248	3,219,678
Contributions due to others	526,955	1,050,994
Accrued postretirement benefits	8,767,337	8,362,622
Split interest obligations	2,530,684	2,643,950
Bonds and notes payable	<u>123,350,488</u>	<u>124,716,072</u>
Total liabilities	<u>153,873,207</u>	<u>159,002,625</u>
Net assets		
Unrestricted	237,452,786	264,294,075
Temporarily restricted	52,830,007	59,535,920
Permanently restricted	<u>160,728,688</u>	<u>121,595,530</u>
Total net assets	<u>451,011,481</u>	<u>445,425,525</u>
Total liabilities and net assets	\$ 604,884,688	\$ 604,428,150

The accompanying notes are an integral part of these financial statements.

Trinity College
Statement of Activities
For the Year Ended June 30, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating and other net assets				
Revenue and reclassifications				
Tuition and fees	\$ 58,084,710	\$ -	\$ -	\$ 58,084,710
Less: Financial aid	(16,906,949)	-	-	(16,906,949)
	<u>41,177,761</u>	<u>-</u>	<u>-</u>	<u>41,177,761</u>
Federal and state grants	1,997,002	-	-	1,997,002
Contributions	6,045,892	6,418,845	117,960	12,582,697
Endowment income	17,597,936	4,542,412	125,593	22,265,941
Other investment income	1,236,859	7,664	15,521	1,260,044
Other operating income	1,380,911	979,180	1,795	2,361,886
Net losses on investments	(423,761)	(60,893)	(492,158)	(976,812)
Change in value of split interest agreements	18,736	37,385	(61,225)	(5,104)
Revenues of auxiliary enterprises	13,038,092	-	-	13,038,092
Total revenue	<u>82,069,428</u>	<u>11,924,593</u>	<u>(292,514)</u>	<u>93,701,507</u>
Net assets released from restrictions	<u>20,437,537</u>	<u>(20,431,293)</u>	<u>(6,244)</u>	<u>-</u>
Total revenue and reclassifications	<u>102,506,965</u>	<u>(8,506,700)</u>	<u>(298,758)</u>	<u>93,701,507</u>
Expenses				
Instruction, research and related programs	56,431,302	-	-	56,431,302
General institutional services	27,744,003	-	-	27,744,003
Expenditures of auxiliary enterprises	17,982,091	-	-	17,982,091
Total expenses	<u>102,157,396</u>	<u>-</u>	<u>-</u>	<u>102,157,396</u>
Other changes				
Litigation assessment accrual reversal (Note 16)	3,350,000	-	-	3,350,000
Amount transferred back to endowment funds resulting from litigation assessment reversal	(3,350,000)	-	-	(3,350,000)
Amounts transferred to endowment funds	(45,770)	-	(331,144)	(376,914)
Amounts transferred from unrestricted endowment funds for special initiatives	503,500	-	-	503,500
Transfer of neighborhood properties to endowment	(539,739)	-	-	(539,739)
Total other changes	<u>(82,009)</u>	<u>-</u>	<u>(331,144)</u>	<u>(413,153)</u>
Increase (decrease) in operating and other net assets	267,560	(8,506,700)	(629,902)	(8,869,042)
Operating and other net assets, beginning of year	<u>51,008,279</u>	<u>48,306,217</u>	<u>5,636,750</u>	<u>104,951,246</u>
Operating and other net assets, end of year	<u>\$ 51,275,839</u>	<u>\$ 39,799,517</u>	<u>\$ 5,006,848</u>	<u>\$ 96,082,204</u>

The accompanying notes are an integral part of these financial statements.

Trinity College
Statement of Activities
For the Year Ended June 30, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
Contributions	\$ 279,493	\$ 314,446	\$ 40,822,995	\$ 41,416,934
Investment return				
Endowment income	2,304,620	5,989,931	214,539	8,509,090
Net loss on investments	(11,192,703)	-	-	(11,192,703)
Amount distributed for spending	(17,597,936)	(4,542,412)	(125,593)	(22,265,941)
Amounts transferred to operating funds for special initiatives	(503,500)	-	-	(503,500)
Investment management fees	(3,425,945)	-	-	(3,425,945)
Reinvested investment return	(30,415,464)	1,447,519	88,946	(28,878,999)
Change in value of split-interest agreements	-	-	(1,466,973)	(1,466,973)
Amounts transferred from operating funds	45,770	-	331,144	376,914
Reallocation of endowment funds	(25,770)	38,822	(13,052)	-
Transfer of neighborhood properties	539,739	-	-	539,739
Legal settlement payment (Note 16)	(896,793)	-	-	(896,793)
Amount transferred from operating funds resulting from litigation assessment reversal	3,350,000	-	-	3,350,000
Other endowment changes	14,176	-	-	14,176
(Decrease) increase in endowment net assets	(27,108,849)	1,800,787	39,763,060	14,454,998
Endowment net assets, beginning of year	213,285,796	11,229,703	115,958,780	340,474,279
Endowment net assets, end of year	\$ 186,176,947	\$ 13,030,490	\$ 155,721,840	\$ 354,929,277
Total net assets				
Net assets, beginning of year	\$ 264,294,075	\$ 59,535,920	\$ 121,595,530	\$ 445,425,525
(Decrease) increase in endowment net assets	(27,108,849)	1,800,787	39,763,060	14,454,998
Increase (decrease) in operating and other net assets	267,560	(8,506,700)	(629,902)	(8,869,042)
Total (decrease) increase in net assets	(26,841,289)	(6,705,913)	39,133,158	5,585,956
Net assets, end of year	\$ 237,452,786	\$ 52,830,007	\$ 160,728,688	\$ 451,011,481

The accompanying notes are an integral part of these financial statements.

Trinity College
Statement of Activities
For the Year Ended June 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating and other net assets				
Revenue and reclassifications				
Tuition and fees	\$ 57,905,754	\$ -	\$ -	\$ 57,905,754
Less: Financial aid	(15,900,104)	-	-	(15,900,104)
	<u>42,005,650</u>	<u>-</u>	<u>-</u>	<u>42,005,650</u>
Federal and state grants	1,521,737	-	-	1,521,737
Contributions	5,114,290	28,170,090	633,489	33,917,869
Endowment income	14,174,425	4,673,143	123,288	18,970,856
Other investment income	1,562,618	12,086	17,383	1,592,087
Other operating income	1,602,497	401,972	-	2,004,469
Net gains on investments	(348,678)	(2,239)	(339,844)	(690,761)
Change in value of split interest agreements	350,866	(11,493)	(144,904)	194,469
Revenues of auxiliary enterprises	<u>12,662,359</u>	<u>-</u>	<u>7,754</u>	<u>12,670,113</u>
Total revenue	<u>78,645,764</u>	<u>33,243,559</u>	<u>297,166</u>	<u>112,186,489</u>
Net assets released from restrictions	<u>18,038,238</u>	<u>(18,038,238)</u>	<u>-</u>	<u>-</u>
Total revenue and reclassifications	<u>96,684,002</u>	<u>15,205,321</u>	<u>297,166</u>	<u>112,186,489</u>
Expenses				
Instruction, research and related programs	53,510,665	-	-	53,510,665
General institutional services	24,215,762	-	18,258	24,234,020
Expenditures of auxiliary enterprises	<u>16,494,301</u>	<u>-</u>	<u>-</u>	<u>16,494,301</u>
Total expenses	<u>94,220,728</u>	<u>-</u>	<u>18,258</u>	<u>94,238,986</u>
Other changes				
Litigation assessment	(125,000)	-	-	(125,000)
Amounts transferred from endowment funds for litigation assessment	125,000	-	-	125,000
Transfer of gifts	-	(238,393)	-	(238,393)
Amounts transferred to endowment funds	(105,000)	-	-	(105,000)
Amounts transferred from unrestricted endowment funds for special initiatives	1,150,000	-	-	1,150,000
Transfer of neighborhood properties to endowment	<u>(2,540,484)</u>	<u>-</u>	<u>-</u>	<u>(2,540,484)</u>
Total other changes	<u>(1,495,484)</u>	<u>(238,393)</u>	<u>-</u>	<u>(1,733,877)</u>
Increase in operating and other net assets	967,790	14,966,928	278,908	16,213,626
Operating and other net assets, beginning of year	<u>50,040,489</u>	<u>33,339,289</u>	<u>5,357,842</u>	<u>88,737,620</u>
Operating and other net assets, end of year	<u>\$ 51,008,279</u>	<u>\$ 48,306,217</u>	<u>\$ 5,636,750</u>	<u>\$ 104,951,246</u>

The accompanying notes are an integral part of these financial statements.

Trinity College
Statement of Activities
For the Year Ended June 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
Contributions	\$ 801,681	\$ -	\$ 6,631,853	\$ 7,433,534
Investment return				
Endowment income	3,412,576	6,041,168	229,435	9,683,179
Net loss on investments	(14,770,056)	-	-	(14,770,056)
Amount distributed for spending	(14,174,425)	(4,673,143)	(123,288)	(18,970,856)
Amounts transferred to operating funds for special initiatives	(1,150,000)	-	-	(1,150,000)
Investment management fees	(3,357,255)	-	-	(3,357,255)
Reinvested investment return	(30,039,160)	1,368,025	106,147	(28,564,988)
Change in value of split-interest agreements	-	-	(435,684)	(435,684)
Amounts transferred from operating funds	105,000	238,393	-	343,393
Reallocation of Endowment Funds	237,867	(282,803)	44,936	-
Transfer of neighborhood properties	2,540,484	-	-	2,540,484
Transferred to operating funds for litigation assessment	(125,000)	-	-	(125,000)
Other endowment changes	26,739	-	-	26,739
(Decrease) increase in endowment net assets	(26,452,389)	1,323,615	6,347,252	(18,781,522)
Endowment net assets, beginning of year	239,738,185	9,906,088	109,611,528	359,255,801
Endowment net assets, end of year	\$ 213,285,796	\$ 11,229,703	\$ 115,958,780	\$ 340,474,279
Total net assets				
Net assets, beginning of year	\$ 289,778,674	\$ 43,245,377	\$ 114,969,370	\$ 447,993,421
(Decrease) increase in endowment net assets	(26,452,389)	1,323,615	6,347,252	(18,781,522)
Increase in operating and other net assets	967,970	14,966,928	278,908	16,213,626
Total (decrease) increase in net assets	(25,484,599)	16,290,543	6,626,160	(2,567,896)
Net assets, end of year	\$ 264,294,075	\$ 59,535,920	\$ 121,595,530	\$ 445,425,525

The accompanying notes are an integral part of these financial statements.

Trinity College
Statements of Cash Flows
For the Years Ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities		
Change in net assets	\$ 5,585,956	\$ (2,567,896)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	9,402,688	7,937,900
Net realized and unrealized losses on investments	11,677,357	15,460,817
Contributions restricted for long-term investment	(40,940,955)	(7,265,342)
Change in operating assets and liabilities		
Receivables and other assets	(1,979,430)	330,804
Contributions receivable	(14,790,149)	(11,980,604)
Accounts payable and other liabilities	545,761	918,596
Federal student loan funds	60,570	52,416
Contributions due to others	(524,039)	(89,707)
Postretirement benefits	404,715	174,989
Accrued litigation assessment	(3,350,000)	125,000
Deferred revenue and deposits	(787,575)	22,275
Total adjustments	(40,281,057)	5,687,144
Net cash (used in) provided by operating activities	(34,695,101)	3,119,248
Cash flows from investing activities		
Student loans granted	(927,438)	(709,952)
Student loans repaid	650,291	539,988
Student loans written off	7,123	49,157
Purchases of fixed assets	(39,107,551)	(29,818,865)
Purchases of investments	(130,286,350)	(178,524,163)
Sales of investments	131,333,427	205,128,997
Net purchases of short-term investments	-	(13,293,553)
Net cash used in investing activities	(38,330,498)	(16,628,391)
Cash flows from financing activities		
Contributions restricted for long-term investment	40,940,955	7,265,342
Change in value of split-interest obligations	(113,266)	(559,597)
Change in the value of funds held in trust by others	1,873,924	355,682
Proceeds from bond issuance	-	50,000,000
Repayment of bonds and notes	(1,372,201)	(1,357,406)
Decrease (increase) in investments held by bond trustee	23,969,067	(34,322,162)
Net cash provided by financing activities	65,298,479	21,381,859
Net (decrease) increase in cash and cash equivalents	(7,727,120)	7,872,716
Cash and cash equivalents at beginning of year	10,205,674	2,332,958
Cash and cash equivalents at end of year	\$ 2,478,554	\$ 10,205,674
Supplemental disclosure of cash flow information		
Interest paid during the year	\$ 6,361,220	\$ 4,814,877

The accompanying notes are an integral part of these financial statements.

Trinity College
Notes to Financial Statements
June 30, 2002 and 2001

1. Summary of Significant Accounting Policies

a. Nature of Organization

Trinity College (the "College") is a private, not-for-profit institution of higher education located in Hartford, Connecticut. Additionally, the College also operates campuses in San Francisco, California and Rome, Italy. The College provides educational services primarily for students at the undergraduate and graduate levels and performs some research under grants with agencies of the federal government and other sponsoring organizations.

b. Basis of Presentation

The financial statements of Trinity College (the "College") include the accounts of Trinity College and its wholly-owned subsidiary, the Barbieri Center, Inc., an Italian campus operation. The financial statements of Trinity College also include the Watkinson Library Trust Funds, which are included in the College's endowment funds for the exclusive support of the Watkinson Library.

The financial statements have been prepared on the accrual basis of accounting.

The financial statements are prepared following the provisions of the American Institute of Certified Public Accountants' Audit and Accounting Guide "Not-for-Profit Organizations". This guide requires the allocation of depreciation, operation and maintenance of plant and interest expense to functional categories. It also requires tuition to be presented net of financial aid discount.

The College follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", and SFAS No. 117, "Financial Statements of Not-For-Profit-Organizations".

Under the requirements of SFAS No. 117, a complete set of financial statements includes a Statement of Financial Position, a Statement of Activities, a Statement of Cash Flows and accompanying notes to the financial statements. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Brief definitions of the three classes of net assets are presented below.

Unrestricted Net Assets

Net assets derived from tuition and other institutional resources that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted Net Assets

Net assets that are subject to donor-imposed restrictions. Temporary restrictions may expire due to the passage of time or the incurrence of expenditures that fulfill the donor imposed restrictions.

Trinity College
Notes to Financial Statements
June 30, 2002 and 2001

Permanently Restricted Net Assets

Net assets subject to explicit donor-imposed restrictions that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets because the donor-imposed purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Administration of the College's endowment is subject to the general provisions of the Uniform Management of Institutional Funds Act (UMIFA). Under the provisions of this state law, a governing board may appropriate for expenditure, for the uses and purposes for which an endowment fund is established, so much of the net appreciation as is deemed prudent based on standards established by the Act. While a governing board must exercise ordinary business care in the appropriation of such appreciation, the general provisions of UMIFA do not mandate that institutions retain endowment gains permanently. Accordingly, SFAS No. 117 requires institutions that are subject to general UMIFA provisions to report gains on endowment assets as increases in unrestricted net assets or temporarily restricted net assets based on the absence or existence of donor-imposed restrictions. However, if a specific gift instrument explicitly requires the reinvestment of appreciation, or a portion thereof, such reinvested amounts shall be classified within permanently restricted net assets. The original gift portion of endowment assets is classified within the permanently restricted net asset class, pursuant to the provisions of SFAS No. 117.

c. Cash and Short-Term Investments

Cash and short-term investments include U.S. Treasury notes, commercial paper, money market funds and similar temporary investments with original maturities of three months or less.

The College maintains checking accounts which principally consist of cash and at times are in excess of the financial institution's insurance limits. The College invests available cash with high credit quality institutions. It is the College's policy to monitor the financial strength of these institutions on an ongoing basis.

d. Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is made. Donor restricted contributions whose restrictions are satisfied in the year received are reflected in temporarily restricted net assets when received and released from restriction when the related expense is incurred. Contributions of assets other than cash are recorded at their estimated fair value.

Trinity College
Notes to Financial Statements
June 30, 2002 and 2001

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted. Contributions received that are awaiting designation by the donor are reported as temporarily restricted net assets.

e. Investments

Stocks, bonds, and mortgages are recorded at fair value. The value of publicly-traded fixed income and equity securities is based upon quoted market prices. Private equities and certain other non-marketable securities are valued using current information obtained from the general partner or investment manager for the respective funds. Fair values for investments held through certain limited partnerships are estimated by the respective external investment managers if market values are not readily ascertainable. Purchased investments are initially recorded at cost as of the trade date and donated investments at fair market value at the date of receipt. Gains or losses that result from market fluctuations are recognized in the period in which the fluctuations occur.

The College holds interests in certain limited investment partnerships which invest in securities at the sole discretion of the general partners. The partnerships hold, among other investments, debt and/or equity securities of troubled or restructured companies. These partnerships may also enter into transactions in financial futures, foreign exchange options, forward currency contracts (which are used for hedging and non-hedging purposes), securities purchased under agreements to resell ("Reverse Repurchase-Agreements"), and securities sold under agreements to repurchase ("Repurchase Agreements").

f. Fixed Assets

Fixed assets are comprised primarily of land, buildings and equipment, which are recorded at cost or fair market value for gifts, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (20-40 years), land improvements (30 years), and equipment (5-10 years). Equipment is removed from the records at the time of disposal.

g. Split-interest Agreements

The College's split-interest agreements with donors consist primarily of charitable gift annuities, pooled life income funds and irrevocable charitable remainder trusts for which the College serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. The College also is the beneficiary of a number of perpetual trusts for which unrelated third parties serve as trustees.

Trinity College
Notes to Financial Statements
June 30, 2002 and 2001

Contribution revenues for irrevocable charitable gift annuities and charitable remainder trusts are recognized at fair value at the dates the agreements are established after recording liabilities for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. For pooled income funds, contribution revenue is recognized upon establishment of the agreement at the fair value of the estimated future receipts, discounted for the estimated time period to complete the agreement. Discount rates used to calculate the present value of split interest agreements range from approximately 5.4% to 8.0%. Contribution revenue for perpetual trusts is recognized at the time the College is informed of the trust.

The College is aware of certain split interest arrangements in which it has been named as beneficiary. The College has adopted a policy that until such amounts are estimable and under its control, these amounts are not recognized in the financial statements.

h. Collections

Library and art collections are not included in assets. Purchases of such collections are recorded as decreases in unrestricted net assets in the period in which the items are acquired. Contributed collection items are not reflected in the financial statements. Proceeds from the sale of collection items or insurance recoveries are reflected as increases in the appropriate net asset class.

i. Tax Status

The College has a letter of exemption from federal income tax from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code.

j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates. Significant estimates include collectibility of gifts, pledges receivable, student loans receivable and accounts receivable.

k. Reclassification

Certain prior year items have been reclassified to conform to the current year presentation. These classifications have had no effect on the change in total net assets.

2. Contributions Due to Others

The College receives and distributes assets under certain agreements in accordance with the provisions of SFAS 136. Amounts received and distributed under these relationships totaled \$441,550 and \$965,589 for the year ended June 30, 2002, and \$1,341,646 and \$1,431,356 for the year ended June 30, 2001.

Trinity College
Notes to Financial Statements
June 30, 2002 and 2001

The amounts received in accordance with SFAS 136 but not yet distributed totaled \$526,955 and \$1,050,994 at June 30, 2002 and 2001, respectively, and are included on the Statement of Financial Position as Contributions due to others.

3. Investments

Investments at June 30, 2002 and 2001 consist of:

	2002		2001	
	Market Value	Cost	Market Value	Cost
Endowment funds				
Short-term investments	\$ 35,189,502	\$ 35,189,502	\$ 31,052,202	\$ 30,886,468
Fixed income	71,799,259	70,457,100	31,902,804	30,874,998
Domestic equities	158,313,435	160,758,434	209,280,942	200,039,972
Private equities	1,840,867	2,103,794	1,401,127	1,422,492
International equities	33,643,159	30,032,401	37,506,352	39,509,966
Distressed securities	10,160,790	10,113,794	9,151,476	9,104,500
Venture capital	4,000,574	4,585,772	2,939,079	2,822,017
Real estate	13,146,207	13,105,122	16,777,897	15,866,052
Other	892,100	892,100	914,300	914,300
	<u>328,985,893</u>	<u>327,238,019</u>	<u>340,926,179</u>	<u>331,440,765</u>
Other funds				
Fixed income	1,996,465	1,936,726	2,037,431	2,023,343
Domestic equities	2,754,579	3,031,919	3,228,547	2,911,684
Mutual funds	990,245	1,102,854	1,240,369	1,114,747
Real estate	12,422	26,537	-	-
Mortgages	34,614	34,615	46,173	47,881
Energy interest	115,182	115,182	115,182	115,182
Other	120,256	120,256	140,209	132,673
	<u>6,023,763</u>	<u>6,368,089</u>	<u>6,807,911</u>	<u>6,345,510</u>
Total investments	<u>\$ 335,009,656</u>	<u>\$ 333,606,108</u>	<u>\$ 347,734,090</u>	<u>\$ 337,786,275</u>

At June 30, 2002, the College was obligated to fund \$29,285,000 for future additional purchases of certain limited partnerships. This obligation will be funded by the reallocation of investments.

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A summary of the College's investment return is presented below:

	2002	2001
Endowment and other long-term investments		
Investment income	\$ 8,509,090	\$ 9,683,179
Realized and unrealized losses, net of investment management fees and other costs	<u>(14,618,648)</u>	<u>(18,127,311)</u>
Return on endowment investments	<u>(6,109,558)</u>	<u>(8,444,132)</u>
Operating investments		
Investment income	1,260,044	1,592,087
Realized and unrealized gains/(losses)	<u>(976,812)</u>	<u>(690,761)</u>
Return on operating investments	<u>283,232</u>	<u>901,326</u>
Total return on investments	<u>\$ (5,826,326)</u>	<u>\$ (7,542,806)</u>

4. Endowment Funds

Principal balances at June 30 were as follows:

	2002 Market Value	2001 Market Value
Endowment funds held by Trinity	\$ 323,682,034	\$ 325,874,961
Funds held in trust by others	12,550,431	14,017,405
Pledges outstanding	<u>18,696,812</u>	<u>581,913</u>
Total	<u>\$ 354,929,277</u>	<u>\$ 340,474,279</u>

Endowment and similar funds are reflected as a separate line item in the net asset section of the statement of financial position. The change in such net assets is reflected under the "Endowment" heading in the statement of activities.

Endowment funds are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only income be utilized. Funds functioning as endowment, also known as quasi-endowment funds, have been established by the Trustees for the same purposes as endowment funds. However, any portion of the funds functioning as endowment may be expended with the approval of the Trustees.

Assets of endowment funds are pooled on a market value basis with each individual fund subscribing to or disposing of units on the basis of the market value per unit at the beginning of the quarterly period within which the transactions take place. In addition, the College maintains one separately invested funds as stipulated by donors. Endowment income is distributed based on the number of units subscribed to at the end of each quarter.

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To the extent that realized and unrealized losses are in excess of accumulated gains for certain endowment funds, they are reported as decreases in unrestricted net assets in accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". The College administers all endowment funds in accordance with the State of Connecticut Uniform Management of Institutional Funds Act (UMIFA), which does not require that such investment losses be replenished or funded by unrestricted net assets. Accordingly, the College has recorded advances from unrestricted net assets of approximately \$3,887,000 and \$746,000 at June 30, 2002 and 2001, respectively, to permanently restricted net assets. The advances are recorded as interfund borrowings due to unrestricted net assets, resulting in no net impact to the net asset amounts reflected in the Statement of Financial Position and the Statement of Activities. Such advances will be monitored and reduced to the extent that future appreciation restores the endowment funds to their historical dollar value.

The College has a total return (income plus change in market value) spending policy. The endowment spending policy was designed to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. Annual spending rates are calculated as a percentage of the average market value of the endowment fund, excluding funds held in trust, for the trailing twelve quarters. The spending rates approved by the Board of Trustees were 6.4% and 6.0% for 2002 and 2001, respectively. This resulted in approved spending of \$21,442,828 and \$17,998,561 in 2002 and 2001, respectively, which excludes income earned on funds held in trust of \$823,113 and \$972,295 in 2002 and 2001, respectively. Accumulated gains of \$13,756,851 and \$9,287,677 were transferred from endowment net assets to operating and other net assets to meet endowment spending for 2002 and 2001, respectively.

The Trustees have approved special increases in spending of \$10,500,000 for neighborhood revitalization and property acquisition, of which \$6,400,000 was designated for The Learning Corridor (see Note 15). In 2002 and 2001, the College transferred \$503,500 and \$1,150,000, respectively, from unrestricted endowment net assets to unrestricted operating and other net assets to cover expenditures incurred for the neighborhood revitalization and property acquisition. This transfer resulted in an increase in the spending rate to 6.55% and 6.4% for 2002 and 2001, respectively. As of June 30, 2002 and 2001, the College had spent \$9,554,000 and \$9,051,000, respectively, of the \$10,500,000 authorized.

During fiscal year 2001, the Trustees approved a transfer of neighborhood property purchased as investments from operations to endowment. The total value of the property transferred was \$4,937,561. This transfer resulted in the endowment purchasing \$2,397,077, and operations transferring net assets of \$2,540,484 of property that was originally purchased by the funding in the previous paragraph. In 2002, the endowment purchased an additional \$539,789 of neighborhood property and disposed of \$122,840 of neighborhood property as noted in footnote 16. Total return on neighborhood properties in the endowment was (.4%) for the year ended June 30, 2002.

The following table sets forth activity in the pool at June 30:

	2002	2001
Number of units for income allocation	5,566,873	5,382,384
Market value per unit	\$ 53.37	\$ 58.53
Income earned per unit	\$ 2.71	\$ 2.62
Income distributed per unit	\$ 2.44	\$ 2.34

Trinity College
Notes to Financial Statements
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5. Bonds and Notes Payable

The following is a summary of bonds and notes payable at June 30:

	2002	2001
Connecticut Health and Educational Facilities Authority (CHEFA) Series E bonds, issued 1996, interest rates ranging from 4.25% to 6.00%; maturities to 2026; insured by Municipal Bond Insurance Authority. The trustee held a sinking fund reserve of \$1,576,277 at June 30, 2002 and \$1,521,447 at June 30, 2001	\$ 32,720,000	\$ 33,330,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series F bonds, issued 1998, interest rates ranging from 3.75% to 5.50%; maturities to 2028; insured by Municipal Bond Insurance Authority. The trustee held a sinking fund reserve of \$1,758,996 at June 30, 2002 and \$1,704,188 at June 30, 2001	40,115,000	40,855,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series G bonds, issued 2001, interest rates ranging from 3.45% to 5.25%; maturities to 2031; insured by Ambac. The trustee held a sinking fund reserve of \$781,432 at June 30, 2002.	50,000,000	50,000,000
Internal Borrowing - Due to Endowment Fund Mortgage payments due to the endowment fund for the purchase of various neighborhood properties, payable over 30 years beginning in 1991, bearing interest at a rate of 9%	892,100 123,727,100	914,300 125,099,300
Less unamortized net discount/premium	(376,612)	(383,228)
	<u>\$ 123,350,488</u>	<u>\$ 124,716,072</u>

Maturities of the above bonds and notes payable are as follows:

2002-2003	\$1,429,122	2007-2012	\$15,467,125
2003-2004	1,496,294	2012-2017	19,741,767
2004-2005	2,483,660	2017-2022	25,423,842
2005-2006	2,596,239	2022-2027	32,800,000
2006-2007	2,704,051	2027-2032	19,585,000

Trinity College
Notes to Financial Statements
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6. Fixed Assets

Land and land improvements, buildings, and equipment, less accumulated depreciation, at June 30, are as follows:

	2002	2001
Land and land improvement	\$ 20,871,059	\$ 12,300,781
Buildings	189,696,462	157,724,662
Equipment	44,711,845	42,465,600
Construction-in-progress	26,427,188	30,107,960
	<u>281,706,554</u>	<u>242,599,003</u>
Less accumulated depreciation	<u>(101,162,714)</u>	<u>(91,794,243)</u>
	<u>\$ 180,543,840</u>	<u>\$ 150,804,760</u>

The insured replacement value of the College's plant and equipment at June 30, 2002 was approximately \$326,000,000.

Depreciation expense included in operating expenses amounted to \$9,368,471 and \$7,937,900 for the years ended June 30, 2002 and 2001, respectively.

For the years ended June 30, 2002 and 2001 the College capitalized approximately \$414,000 and \$618,000, respectively, of interest cost related to construction projects funded by tax exempt borrowings.

The cost of the Trinity College main campus purchased in 1873 consisting of 78 acres and smaller parcels purchased in subsequent years is not included in the land total above. The historical cost of this land is not practical to estimate.

7. Unrestricted Net Assets

Unrestricted net assets at June 30, 2002 and 2001 consist of the following:

	2002	2001
Unrestricted endowment	\$ 186,176,947	\$ 213,285,902
Investment in plant assets	54,874,140	50,461,515
Life income funds	382,872	422,285
Operating funds	<u>(3,981,173)</u>	<u>124,373</u>
Total unrestricted net assets	<u>\$ 237,452,786</u>	<u>\$ 264,294,075</u>

Trinity College
Notes to Financial Statements
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8. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2002 and 2001 are available for the following purposes:

	2002	2001
Plant additions/renovation	\$ 1,511,892	\$ 18,116,431
Life income funds	1,355,654	1,389,892
Capital Campaign	27,901,487	16,395,940
Operating funds	<u>22,060,974</u>	<u>23,633,657</u>
Total temporarily restricted net assets	<u>\$ 52,830,007</u>	<u>\$ 59,535,920</u>

9. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2002 and 2001 consist of the following:

	2002	2001
Income restricted		
Instruction funds	\$ 41,333,876	\$ 40,584,316
Scholarship funds	38,214,138	38,313,096
Library	5,270,323	5,374,056
Chapel funds	675,089	675,089
Prize funds	558,485	501,542
Other purposes	10,016,863	8,097,828
Unrestricted as to use of income	<u>59,653,066</u>	<u>22,412,853</u>
Total investments in perpetuity	155,721,840	115,958,780
Student loan funds	2,096,330	1,959,665
Life income funds	<u>2,910,518</u>	<u>3,677,085</u>
Total permanently restricted net assets	<u>\$ 160,728,688</u>	<u>\$ 121,595,530</u>

10. Net Assets Released From Restrictions

Net assets at June 30, 2002 and 2001 were released from donor restrictions as a result of incurred expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Such assets were utilized to fund expenditures in the following categories:

	2002	2001
Instruction, research, etc.	\$ 5,770,751	\$ 4,390,906
Financial aid	5,075,517	3,036,008
Plant	6,064,773	8,969,723
General institutional	<u>3,526,496</u>	<u>1,641,601</u>
Total net assets released from restrictions	<u>\$ 20,437,537</u>	<u>\$ 18,038,238</u>

Trinity College
Notes to Financial Statements
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11. Government and Other Grants

Government grant awards not yet funded or recorded at June 30, 2002 and 2001 total approximately \$443,000 and \$162,000, respectively. They are expected to be collected over the ensuing year.

12. Employee Benefits

The College participates in the Teacher's Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF) as a defined contribution retirement plan for most of its employees. Total pension expense for the year ended June 30, 2002 and 2001 was approximately \$3,094,000 and \$2,860,000, respectively. The College has no liability for any unfunded pension costs under this plan.

The College provides health insurance benefits for retired employees who were full-time employees with at least ten years of service and who have attained the age of sixty. The College also provides life insurance benefits for retired employees who were full-time employees as of December 1, 1977.

The College follows Statement of Financial Accounting Standards No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106). This Statement requires that employers accrue the cost and recognize the liability for providing non-pension benefits to retired employees.

The following table sets forth the Plan's change in accumulated benefit obligation and change in plan assets for the year ended June 30:

Change in accumulated benefit obligation

	2002	2001
Benefit obligation at beginning of year	\$ 6,995,383	\$ 5,614,006
Service cost	271,046	199,971
Interest cost	635,931	505,030
Plan participants' contributions	20,660	15,087
Actuarial (gain) loss	2,970,336	1,007,370
Benefits paid	<u>(601,089)</u>	<u>(346,081)</u>
Benefit obligation at end of year	<u>\$ 10,292,267</u>	<u>\$ 6,995,383</u>

Trinity College
Notes to Financial Statements
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Change in plan assets, at market value

	2002	2001
Fair value of plan assets at beginning of year	\$ -	\$ -
Actual return on plan assets	-	-
Employer contribution	580,429	330,994
Plan participants' contributions	20,660	15,087
Benefits paid	<u>(601,089)</u>	<u>(346,081)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
	2002	2001
Funded status	\$ (10,292,267)	\$ (6,995,383)
Unrecognized net actuarial (gain) loss	2,128,510	(683,181)
Unrecognized prior service cost	<u>(603,580)</u>	<u>(684,058)</u>
Accrued postretirement benefit obligation	<u>\$ (8,767,337)</u>	<u>\$ (8,362,622)</u>

Actuarial assumptions used in determining the obligation and periodic postretirement health and life insurance expense were:

	2002	2001
Weighted average health care cost trend rate for valuing year-end obligations		
Initial trend rate	12.00%	10.00%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is achieved	2007	2004
Discount rate used to value obligations	7.50%	7.50%
Effect of a 1% increase in health care cost trend rate on		
Interest cost plus service cost	\$ 173,138	\$ 131,756
Accumulated postretirement benefit obligation	1,603,914	1,057,050
Effect of a 1% decrease in health care cost trend rate on		
Interest cost plus service cost	(135,743)	(103,516)
Accumulated postretirement benefit obligation	(1,302,089)	(853,019)

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Postretirement health and life insurance expense for the year ended June 30 includes the following components:

	2002	2001
Benefits attributed to service rendered during the period	\$ 271,046	\$ 199,971
Interest cost on accumulated postretirement benefit obligation	635,931	505,030
Net amortization and deferral	<u>(87,228)</u>	<u>(114,313)</u>
	<u>\$ 819,749</u>	<u>\$ 590,688</u>
Discount rate (at beginning of year)	<u>7.50 %</u>	<u>8.00 %</u>

13. Contributions Receivable

Contributions receivable at June 30 consisted of the following unconditional promises to give:

	2002	2001
Unconditional promises to give (net of discount of \$5,719,400 and \$5,698,200 and allowance of \$830,250 and \$552,700 for 2002 and 2001, respectively). Amounts due		
In one year or less	\$ 22,673,497	\$ 5,800,794
Between one year and five years	3,516,598	5,317,077
In more than five years	<u>14,065,450</u>	<u>14,347,525</u>
	<u>\$ 40,255,545</u>	<u>\$ 25,465,396</u>

Discount rates used to calculate the present value of contributions receivable ranged from 2.06% to 6.44%.

In addition, the College has the following cumulative conditional promises to give that are not recognized as assets in the statement of financial position:

	2002	2001
Annual giving for future years	\$ 67,402	\$ 218,959
Restricted funds	754,436	989,214
Plant funds	294,318	303,321
Endowment funds	948,512	1,367,117
Capital campaign funds	<u>2,421,079</u>	<u>4,011,171</u>
Total	<u>\$ 4,485,747</u>	<u>\$ 6,889,782</u>

Trinity College
Notes to Financial Statements
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14. Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Short-Term Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

Long-Term Investments

The fair values of some investments are estimated based on quoted market prices for those or similar investments. For other investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs.

Long-Term Debt

The fair value of the College's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the College for debt of the same remaining maturities. It is not practicable to estimate the fair value of internal borrowings.

Student Loans Receivable

Student loans receivable include donor restricted and federally sponsored student loans with mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. The fair value of these instruments could not be determined without incurring excessive costs.

Contributions Receivable

The carrying amount approximates fair value because such amounts are recorded net of an allowance for uncollectible accounts and an interest factor.

The estimated fair values of the College's financial instruments at June 30, 2002 and 2001 are as follows:

	2002		2001	
	Cost	Fair Value	Cost	Fair Value
Cash and short-term investments	\$ 2,478,554	\$ 2,478,554	\$ 10,205,674	\$ 10,205,674
Contributions receivable	40,255,545	40,255,545	25,465,396	25,465,396
Long-term investments for which it is				
Practicable to estimate fair value	333,323,634	334,727,181	336,570,411	346,518,226
Not practicable to estimate fair value	282,474	N/A	1,215,864	N/A
Long-term debt for which it is				
Practicable to estimate fair value	122,458,388	127,077,566	123,801,772	128,952,941
Not practicable to estimate fair value	892,100	N/A	914,300	N/A

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15. The Neighborhood Initiative (The Learning Corridor)

Trinity College and its partners in Southside Institute Neighborhood Alliance (SINA), Hartford Hospital, Connecticut Children's Medical Center, the Institute of Living and Connecticut Public Television and Radio committed over \$10,000,000 to a comprehensive neighborhood revitalization initiative which establishes a 15-square block area around the Trinity campus as a central hub of educational, health, and family support activities. The area includes a 9-acre site between Trinity and the hospitals, now designated the Learning Corridor, where a Boys and Girls Club has been built and construction has been completed for three new schools. Trinity's Board of Trustees authorized \$6,400,000 for its share of the Learning Corridor and related neighborhood activities, as well as an additional \$3,000,000 for working capital assistance to SINA for the construction phase of the Learning Corridor. To date, the College has spent all of the \$6,400,000 authorized for the neighborhood initiative, \$5,068,000 of which represents expenditures to SINA. As of June 30, 2002, the College had an outstanding line of credit for working capital assistance to SINA for \$300,000.

In addition to the commitment to the Learning Corridor, Trinity's Board of Trustees authorized \$4,100,000 for the purchase of other strategic neighborhood properties, of which \$3,153,500 and \$2,650,000 had been spent as of June 30, 2002 and 2001, respectively. During 2002, the College transferred properties valued at \$122,840 back to SINA.

16. Commitments and Contingencies

In 1995, a faculty member filed a complaint in Superior Court, claiming that she was wrongfully denied tenure and the opportunity to continue her employment as a faculty member of the College based on her age and gender. The complaint alleged breach of contract including breach of the implied covenant of good faith and fair dealing, discrimination based on gender and age, negligent misrepresentation and infliction of emotional stress. The College contended that the decision to deny tenure was appropriate. The matter went to trial with a resulting jury verdict and judgment against the College of \$3.1 million. The College filed another appeal on the basis of the Court's jury instructions and on several grounds relating to other rulings throughout the trial. In February of 2002, the ruling was overturned on several key points, resulting in a reduced judgment in the amount of \$896,793 which was paid by the College. The College had accrued \$3,350,000 (\$3,100,000 plus estimated interest of \$250,000) which was reversed during the year ended June 30, 2002.

The College is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to those actions will not materially affect the College's financial position, changes in net assets or cash flow.